

Service Date: September 9, 1986

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER Of The Application)	
Of PACIFICORP dba PACIFIC POWER &)	
LIGHT COMPANY for (1) authority)	UTILITY DIVISION
to issue and sell not more than)	DOCKET NO. 86.8.40
\$210,000,000 of Debt and (2))	DEFAULT ORDER NO. 5216
authority to enter into currency)	
exchanges.)	
_____)	

August 25, 1986, PacifiCorp dba Pacific Power & Light Company (Pacific) , a corporation organized and existing under and by virtue of the laws of the State of Maine and qualified to transact business in Montana, filed with the Montana Public Service Commission its verified application, pursuant to Sections 69-3-501 through 69-3-507, MCA, requesting an Order amending authority granted in Docket No. 86.1.2 that allowed Pacific to issue and sell up to \$210,000,000 of fixed rate debt prior to December 31, 1937. Pacific requests authority to issue unsecured promissory notes pursuant to an eight-year term loan with a group of banks which loan will bear a floating rate of interest for up to two years, with a fixed rate thereafter until maturity.

The application is supported by exhibits and data in accordance with the rules and regulations of the Commission governing the authorization of the issuance of securities by electric and gas utility companies operating within Montana. The Commission takes official notice of the application and exhibits filed in Docket No. 86.1.2.

For detailed information with respect to the general character of Pacific’s business and the territories served by it, reference is made to its annual reports on file with the Commission.

The application sets forth Counsel who will pass upon the legality of the proposed issuance, the other regulatory authorizations required, and the propriety of the proposed issue.

At a regular open session of the Montana Public Service Commission held in its offices at 2701 Prospect Avenue, Helena, Montana, on September 8, 1986, there came before the Commission for final action the matters and things in Docket No. 86.8.40, and the Commission, having fully considered the application and all the data and records pertaining to it on filed with the Commission and being fully advised in the premises, makes the following:

FINDINGS

1. Pacific is a corporation organized and existing under and by virtue of the laws of the State of Maine and is qualified to transact business in the State of Montana.

2. Pacific is operating as a public utility as defined in Section 69-3-101, MCA, and is engaged in furnishing electric and water service in Montana.

3. The Commission has jurisdiction over the subject matter of the application under Section 69-3-102, MCA.

4. Notice of the application was published as a part of the Commission's regular weekly agenda.

5. In Docket No. 86.1.2, Pacific proposed to sell, in one or more public offerings or private placements, prior to December 31, 1987, fixed rate debt in the aggregate principal amount of not more than \$210,000,000 (or its equivalent amount in, or based upon foreign currencies determined at the time of issue.)

6. On March 3, 1986, Pacific issued \$80,000,000 of 10-year first mortgage bonds at a coupon of 8 5/8 percent and a cost to the company of 8.79 percent.

7. On July 15, 1986, Pacific issued \$75,000,000 of 10-year first mortgage bonds at a coupon of 8 1/2 percent and a cost to the company of 8.80 percent.

8. \$55,000,000 of the debt originally authorized in Docket No. 86.1.2 remains to be issued at this time.

9. Pacific proposes to enter into an eight-year term loan facility (Loan) with Morgan Guaranty Trust Company of New York as Agent and participant, and a group of Japanese banks in an amount not to exceed \$55,000,000. The Loan will bear interest at a floating rate until

Pacific exercises its option to convert the Loan to a fixed rate. Pacific must fix the rate within two years or repay the Loan.

10. The Loan will be priced at LIBOR + 35 basis points for the Floating Rate Period and will be priced 35 basis points over the fixed rate cost to the banks during the Fixed Rate Period. Upon conversion, the rate on the Loan will be fixed until the termination of the Loan. The fixed rate cost to the banks will be based on the cost to the banks of entering into an interest rate payment exchange with Morgan Guaranty for the remaining life of the Loan. The Loan will also contain language allowing the interest rate to be adjusted upward if withholding with respect to federal income taxes is required on interest payments to foreign citizens so that the after tax yield to the Japanese banks will remain unchanged.

11. The Arrangement fee paid to Morgan Guaranty Trust Company of New York will equal 0.25 percent of the aggregate principal amount of the Loan.

12. The proposed Loan provides Pacific with a source of longer term funding at attractive spreads over the fixed or floating rate market.

13. Pacific will be able to let the interest rate on the Loan float for up to two years thereby taking advantage of lower short-term rates and wait to fix the rate at a time when fixed rate debt costs are more attractive. If during the two year period, fixed rates are not attractive to Pacific, the company has the option not to fix the rate and to prepay the Loan, thereby protecting itself against unfavorable long-term rates.

14. The eight-year maturity fits well in Pacific's overall debt maturity mix as Pacific has less than \$30 million of debt scheduled to mature in 1994.

15. The net proceeds of the issuance will be used to reimburse Pacific's treasury for funds expended from income and from other treasury funds that were not derived from the issuance of securities. The funds to be reimbursed were used in furtherance of one or more of the utility purposes authorized by Section 69-3-501 MCA. To the extent that the funds to be reimbursed were used for the discharge or refunding of obligations, those obligations or their precedents were originally incurred in furtherance of a utility purpose.

16. Issuances of the Debt proposed are part of an overall plan to finance the cost of Pacific's facilities taking into consideration prudent capital ratios, earnings coverage tests, and market uncertainties as to the relative merits of the various types of securities Pacific could sell.

17. The issuance of an order authorizing the proposed financing does not constitute agency determination/approval of any issuance-related ratemaking issues which issues are expressly reserved until the appropriate proceeding.

CONCLUSIONS

The proposed issuance of Debt to which the application relates will be for lawful objects within the corporate purposes of Pacific. The method of financing is proper.

The application should be approved.

ORDER

IT IS THEREFORE ORDERED by the Commission that:

1. The application of PacifiCorp dba Pacific Power & Light Company filed on August 25, 1986, for authority to issue unsecured promissory notes pursuant to a \$55,000,000 eight-year Term Loan with a group of commercial banks on terms consistent with those indicated by the company in its application, pursuant to Sections 69-3-501 through 69-3-507, MCA, and to use the proceeds for normal utility purposes, is approved.

2. The authority to issue the remaining \$55,000,000 of long-term debt previously approved in Docket 86.1.2 is terminated with the issuance of this order.

3. PacifiCorp dba Pacific Power & Light Company shall file the following as they become available:

- a. The "Report of Securities Issued" required by 18 CFR 34.10.
- b. Verified copies of any agreement entered into in connection with the issuance of Debt pursuant to this order.
- c. Verified copies of any currency exchange agreements entered into pursuant to this

order.

- d. A verified statement setting forth in reasonable detail the disposition of the proceeds of each offering made pursuant to this order.

4. Issuance of this order does not constitute acceptance of PacifiCorp dba Pacific Power & Light Company's exhibits or other material accompanying the application for any purpose other than the issuance of this order.

5. Approval of the transaction authorized shall not be construed as precedent to prejudice any future action of this Commission.

6. Section 69-3-507, MCA, provides that neither the issuance of securities by PacifiCorp dba Pacific Power & Light Company pursuant to the provisions of this order, nor any other act or deed done or performed in connection with the issuance, shall be construed to obligate the State of Montana to pay or guarantee in any manner whatsoever any security authorized, issued, assumed, or guaranteed.

7. This order shall be effective upon execution.

DONE IN OPEN SESSION at Helena, Montana, this 8th day of September, 1986, by a 5 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

HOWARD L. ELLIS, Commissioner

TOM MONAHAN, Commissioner

JOHN B. DRISCOLL, Commissioner

ATTEST:

Ann Purcell
Acting Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.